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UNCLAS BOGOTA 011209

SIPDIS

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SUBJECT: TAX REFORMS IN COLOMBIA

1. (SBU) SUMMARY. Ambassador Wood met with Colombian Minister of Finance Alberto Carrasquilla to discuss tax reforms in Colombia. The Ambassador offered U.S. Embassy assistance to help move tax reforms forward. Minister Carrasquilla was receptive to the offer and agreed that reforms were needed; however, he expressed surprise over private sector interest in reform The Embassy has encountered.

2. (SBU) During an October 25 meeting, Ambassador Wood pointed out to Carrasquilla that a strong fiscal situation is fundamental to Colombia,s continued growth. The Ambassador stressed the need for meaningful reform to the tax system as a key element in improving Colombia,s fiscal health. The Ambassador also noted private sector concerns over the perception that large businesses are paying more taxes than smaller firms. Carrasquilla thanked Ambassador Wood for his comments, and expressed interest in working with the U.S. Government on this issue.

3. (SBU) The Ambassador offered Embassy assistance to help in developing support for a reform package. The Ambassador told Carrasquilla that a possible first step could be for the US Embassy to invite The Minister and private sector to exchange ideas and define reform goals. Once the GOC and the private sector define common ground on these issues, the Ambassador told Carrasquilla that it will strengthen President Uribe's position before Congress.

4. (SBU) Carrasquilla admitted that of those that can pay taxes only a small percentage do, and offered that private sector interest would greatly influence the Congress. However, he noted that there is a short time frame in which Congress will be willing to tackle legislation resulting in major fiscal reform. Emboffs noted that 2006 (right after the next presidential elections) would be the best time to present such a package. This would provide sufficient time to develop proposals with broad public support. Carrasquilla noted that communication between stakeholders was the key to passing reforms. The DCM and Carrasquilla agreed to keep in contact on this issue and to move forward with increased dialogue.

WOOD